

**355.7-504 Rights acquired in the absence of due negotiation -- Effect of diversion --
Stoppage of delivery.**

- (1) A transferee of a document of title, whether negotiable or nonnegotiable, to which the document has been delivered but not duly negotiated, acquires the title and rights that its transferor had or had actual authority to convey.
- (2) In the case of a nonnegotiable document of title, until but not after the bailee receives notice of the transfer, the rights of the transferee may be defeated:
 - (a) By those creditors of the transferor that could treat the transfer as void under KRS 355.2-402 or 355.2A-308;
 - (b) By a buyer from the transferor in ordinary course of business if the bailee has delivered the goods to the buyer or received notification of the buyer's rights;
 - (c) By a lessee from the transferor in ordinary course of business if the bailee has delivered the goods to the lessee or received notification of the lessee's rights;
or
 - (d) As against the bailee, by good faith dealings of the bailee with the transferor.
- (3) A diversion or other change of shipping instructions by the consignor in a nonnegotiable bill of lading which causes the bailee not to deliver the goods to the consignee defeats the consignee's title to the goods if the goods have been delivered to a buyer in ordinary course of business or a lessee in ordinary course of business and in any event defeats the consignee's rights against the bailee.
- (4) Delivery of the goods pursuant to a nonnegotiable document of title may be stopped by a seller under KRS 355.2-705 or a lessor under KRS 355.2A-526, subject to the requirements of due notification in those sections. A bailee honoring the seller's or lessor's instructions is entitled to be indemnified by the seller or lessor against any resulting loss or expense.

Effective: July 12, 2012

History: Repealed and reenacted 2012 Ky. Acts ch. 132, sec. 33, effective July 12, 2012. -- Created 1958 Ky. Acts ch. 77, sec. 7-504, effective July 1, 1960.